Rate of Industrial growth

1282. SHRI P. PRABHAKAR REDDY: Will the Minister of INDUSTRY be pleased to state:

(a) the rate of industrial growth in the country during the current financial year upto 31st January, 1999, as compared to that of the preceding three years;

(b) the reasons for the poor performance of all the major industries;

(c) whether the package of measures announced in the Central Budget 1998 to revive industrial growth have been effectively implemented; and

(d) if so, the impact of these measures on the industrial production?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT): (a) The industrial growth as per Index of Industrial Production, for the current financial year 1998-99 is available upto December 1998. The Industrial Growth for April—December. 1998 and for the preceding three years is as follows:

	Over Growth Rate (Percentage)
1995-96 (April—March)	12.8
1996-97 (April—March)	5.6
1997-98 (April—March)	6.6
1998-99 (April—December)	3.5

(b) The slow down in industrial growth can be attributed to both the domestic and external factors.

* Domestic factors include weak demand on account of inadequate investment in infrastructure sectors, like power, ports and transport, and slow down in general investment mainly due to sluggish capital market conditions.
* On the external side, the export growth has been sluggish which has been aggravated by fall in world export growth. Export growth at (−) 2.88% has shown a substantial decline during April—December 1998.
* Demand constraints constitute one of the important reasons for decline in industrial growth. While there has been decline in growth in textile on account of slowdown in consumption demand, cement and steel have been affected by lack of investment demand.
* Indian corporates have also been affected by competition from cheap imports, owing to devaluation of currencies in East Asia and Brazil.

(c) and (d) the following measures announced in the Budget 1998-99 have been introduced;

* de-licensing of coal and lignite, petroleum refining and sugar to attract larger inflow of capital;
* increase in limit for investment by NRIs;
* rationalisation of tariff structure by introducing 4% special additional duty of customs to remove disadvantages faced by the domestic industry;
* Special package announced for revival of growth in exports;
* repeal of ULCRA and incentive to house ownership;
* Corporates have been allowed to buy back shares and make inter-corporate loans to boost investment and revive the capital maket.

Private sector been restructuring to induct new technology, improve efficiency and withdraw from non-core business. The fianancial results of a majority of the corporates for the year 1997-98 and 2nd and 3rd quarter of 1998-99 show a reduction in cost. After restructuring they are likely to undertake investment for expansion. The above measures are likely to lead to a favourable impact on industrial growth.